

ORIGINAL

NEW APPLICATION



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MUNGER CHADWICK, P.L.C.

ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLUMBIA

February 13, 2009

Arizona Corporation Commission
DOCKETED

FEB 17 2009

Docket Control

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

nr

W-03418A-09-0065

Re: Sahuarita Water Company, L.L.C.
Docket No. W-03718A-09-_____

To Whom It May Concern:

Enclosed for filing on behalf of Sahuarita Water Company, L.L.C. are the original and thirteen (13) copies of an Application for an Opinion and Order authorizing it to incur certain short-term indebtedness ("Application").

Also enclosed are two (2) additional copies of the Application. I would appreciate it if you would "filed" stamp the same and return them to me in the enclosed stamped and addressed envelope. Thank you for your assistance. Please advise me if you have any questions.

Sincerely,

Angela R. Trujillo

Angela R. Trujillo

Secretary

Lawrence V. Robertson, Jr.

cc: Mark Seamans, President
Sahuarita Water Company

DOCKET CONTROL
AZ CORP COMMISSION

2009 FEB 17 A 10:39

RECEIVED

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2
3 **BEFORE THE ARIZONA CORPORATION COMMISSION**

4 **COMMISSIONERS**

5 **KRISTIN K. MAYES, Chairman**
6 **GARY PIERCE**
7 **PAUL NEWMAN**
8 **SANDRA D. KENNEDY**
9 **BOB STUMP**

RECEIVED
2009 FEB 17 A 10:39
AZ CORP COMMISSION
DOCKET CONTROL

10 IN THE MATTER OF THE APPLICATION OF)
11 SAHUARITA WATER COMPANY, LLC FOR) DOCKET NO. W-03718A-09-____
12 AUTHORITY TO INCUR SHORT-TERM)
13 INDEBTEDNESS TO FINANCE WATER) **APPLICATION**
14 SYSTEM IMPROVEMENTS)

15 Pursuant to A.A.C. R14-3-106 (F) and A.R.S. 40-301 et seq., Sahuarita Water Company,
16 LLC ("SWC"), by and through its undersigned counsel, hereby makes Application for an
17 Opinion and Order authorizing it to incur certain short-term indebtedness for the purpose of
18 financing water system improvements. In support of its Application, SWC submits the following
19 information.

20 **I.**

21 **DESCRIPTION OF APPLICANT**

22 SWC is an Arizona public service corporation subject to regulation by the Arizona
23 Corporation Commission ("Commission") as a water utility. SWC has received certificates of
24 convenience and necessity authorizing it to provide potable water service to the public within a
25 certificated service area in the vicinity of Sahuarita, Arizona. At present, SWC provides such
26 service to approximately 4,622 customer connections. These customer connections consist of
27 4,458 residential, 17 commercial and 147 irrigation and construction.
28

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(520) 398-0411

II.

CIRCUMSTANCES OCCASIONING APPLICATION

By way of background, water withdrawn from SWC's production wells was tested in 2004 under the MAP program and determined to be in compliance with the United States Environmental Protection Agency's ("EPA") arsenic concentration standard of 50 PPB then in effect. However, the measured concentration levels were in excess of the 10 PPB standard which was scheduled to become effective in January 2006. Accordingly, SWC drilled an additional well in 2006 with the intent of blending the production from that well with its two (2) pre-existing production wells. But, the production from the third well was also in excess of 10 PPB, and SWC thus determined that blending the output from that well was not an available arsenic remediation measure.¹

In 2007, SWC's two (2) existing production wells were again tested under the MAP program and determined to be in compliance with the 10 PPB standard that went into effect in 2006. However, one (1) of the wells was barely in compliance, because it tested at 9.9 PPB. In addition, during 2007 SWC initiated a well exploratory program, which was designed to enhance SWC's water production capability and quality. The program results become available in 2008, and disappointingly indicated that water produced from each of five (5) wells that had been drilled would require arsenic treatment.

Under the Arizona Department of Environmental Quality ("ADEQ") and Safe Drinking Water Act ("SDWA") sampling cycles, 2010 will be the next arsenic concentration sample test year for SWC.² Given the aforesaid background with respect to its existing production wells and the presence of arsenic within its anticipated future sources of water supply, SWC has concluded that it would be prudent for the company to implement a proactive arsenic treatment program at this time, in order to insure that SWC is in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this

¹ The third well was not completed as a production well.

² By reason of system customer growth since 2007, SWC has outgrown the MAP program, and will conduct its own arsenic concentration test(s) in 2010.

1 manner, SWC can be in a position to assure the ongoing delivery of drinking water to its
2 customers in compliance with applicable statutes and regulations.

3
4 Accordingly, SWC has contracted to construct a 2,000 gallon per minute (gpm)
5 centralized arsenic treatment facility during 2009, which would be connected to SWC's
6 production wells by approximately 2.5 miles of collector transmission mains. In that regard,
7 attached hereto as Appendix "A" and incorporated herein by this reference is an itemization of
8 the aforesaid capital improvements, and the currently anticipated associated cost(s). As may be
9 noted therefrom, the centralized arsenic treatment facility is estimated to cost \$2,686,523,³ and
10 the aforesaid collector transmission mains are estimated to cost \$2,008,000, for a total capital
11 expenditure of \$4,694,523, inclusive of contingency allowances.

12 III.

13 PROPOSED FINANCING ARRANGEMENT

14 As noted in Section II above, SWC intends to have the aforesaid centralized arsenic
15 treatment facility in service by the end of 2009. In order to facilitate this construction schedule,
16 SWC intends to borrow funds from its investors on a short-term basis,⁴ with the understanding
17 and intent that such short-term borrowings would be replaced with funds obtained through a
18 long-term loan arrangement with the Water Infrastructure Financing Authority ("WIFA") and/or
19 a commercial bank. In that regard, on January 27, 2009, SWC submitted a Project Financial
20 Assistance Priority List Application to WIFA, in order to commence to WIFA loan application
21 process. A copy of that application is attached hereto as Appendix "B," and is incorporated
22 herein by this reference. In addition, representatives of SWC have met with representatives of
23 Wells Fargo Bank and Compass Bank to explore a possible commercial bank lending
24 arrangement.

25 SWC's construction schedule contemplates a substantial expenditure of funds in the
26 initial stages of construction; and, it is conceivable that the amount required to be borrowed and

27 ³ This estimate includes the cost of the facilities necessary to transport water from the centralized arsenic treatment
28 facility to SWC's storage reservoirs.

⁴ As used herein, "short-term" means a loan period of duration of less than twelve (12) months.

1 disbursed for such purpose could exceed 7% of SWC's total capitalization before SWC is able to
2 obtain long-term financing authorization for the water system improvements here in question.
3 As the Commission is aware, A.R.S. § 40-302(D) provides that short-term borrowings in excess
4 of 7% of a public service corporation's total capitalization require prior Commission
5 authorization.⁵

6
7 Accordingly, SWC is requesting through this Application that the Commission (i) issue
8 an appropriate procedural order promptly setting this matter for hearing, if a hearing is found to
9 be necessary, and thereafter (ii) issue an Opinion and Order authorizing SWC to borrow up to
10 \$4,694,523 for the aforesaid purposes on a short-term basis at ten percent (10%) per annum. As
11 previously noted, such short-term loan(s) from SWC's investors would ultimately be replaced
12 with a long-term loan arrangement with WIFA and/or a commercial bank.⁶ In that regard, SWC
13 intends to file a separate application with the Commission requesting long-term financing
14 authorization for the aforesaid purpose.

15 IV.

16 PROPOSED FINANCING CONSISTENT WITH A.R.S. 40-301 ET SEQ.

17 SWC believes that the proposed financing is (i) within the corporate powers of SWC, (ii)
18 compatible with the public interest, (iii) compatible with sound financial practices, (iv)
19 compatible with the proper performance by SWC of service as a public service corporation and
20 (v) will not impair its ability to perform that service.

21 V.

22 CONCLUSION

23 WHEREFORE, SWC hereby requests that the Commission set the instant Application for
24 hearing at the earliest practicable date, if a hearing is found to be necessary, and thereafter issue
25 an Opinion and Order authorizing SWC to incur short-term indebtedness in the amount of up to

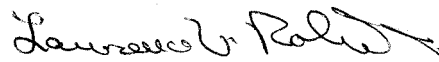
26
27 ⁵ In that regard, attached hereto as Appendices "C" and "D," and incorporated herein by this reference are copies of
28 (i) a final Balance Sheet and Income Statement for the twelve (12) months ended December 31, 2007, and (ii) a
near-final Balance Sheet and Income Statement for the twelve (12) months ended December 31, 2008 for SWC.

⁶ Neither SWC nor any of its predecessors-in-interest has previously requested any form(s) of financing
authorization from the Commission; and, SWC does not have any outstanding debt at present.

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ATTORNEY AT LAW
P.O. Box 1448
Tubac, Arizona 85646
(520) 398-0411

1 \$4,694,523 at ten percent (10%) per annum in order to finance the design and construction of the
2 aforesaid water system improvements.

3
4
5 Dated this 13th day of February 2009.

6 

7 Lawrence V. Robertson, Jr.
8 P. O. Box 1448
9 Tubac, Arizona 85646
Attorney for Sahuarita Water Company, LLC

10 Original and thirteen (13) copies of
11 the above Application were mailed
12 this 13th day of February 2009 to:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 A copy of the above Application
18 was mailed/emailed this same date to:

19 Ernest Johnson, Director
20 Utilities Division - ACC
21 1200 West Washington Street
22 Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division - ACC
1200 West Washington Street
Phoenix, Arizona 85007

23 Steve Olea, Assistant Director
24 Utilities Division - ACC
25 1200 West Washington Street
26 Phoenix, Arizona 85007

Mark J. Seamans, President
Sahuarita Water Company, LLC
P.O. Box 1520
Sahuarita, Arizona 85629

27
28 

Appendix “A”

SAHUARITA WATER CO, LLC
ARSENIC TREATMENT PROJECT
SUMMARY OF COSTS

<u>Project</u>		<u>Estimate</u>		<u>Contingency</u>		<u>Total Costs</u>
Arsenic Treatment Plant	\$	2,567,596	\$	118,927	\$	2,686,523
Well 18 Transmission Main	\$	1,018,000	\$	204,000	\$	1,222,000
Well 14 Transmission Main	\$	655,000	\$	131,000	\$	786,000
TOTAL	\$	4,240,596	\$	453,927	\$	4,694,523

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

<u>Description</u>	<u>Arsenic Treatment Plant</u>
Furnish all labor, materials and equipment necessary to install chlorinator, including all connections per plans and specifications complete.	\$ 36,311
Furnish all labor, materials and equipment to provide a 12' wide lime treated A B access road per plans and specifications complete.	\$ 19,500
Furnish all labor, materials and equipment to install chain link fence with 16' access gate, track and appurtenances per plans and specifications complete.	\$ 4,698
Furnish all labor, materials and equipment to install block wall, including connection to existing block wall, sleeve for future pipeline, and all appurtenances per plans and specifications complete.	\$ 70,508
Furnish all labor, materials and equipment to install electrical and instrumentation equipment per plans and specifications complete.	\$ 40,000
Furnish all labor, materials and equipment to install control panel including coordination with Malcolm Pirnie to perform telemetry programming per plans and specifications complete.	\$ 10,000
Furnish all labor, materials and equipment to install fiber optics lines, pull boxes, connections and appurtenances per plans and specifications complete.	\$ 11,445
Furnish all labor, materials and equipment to install 24" V905 DR 18 PVC pipeline including all valves, fittings and connections per plans and specifications complete.	\$ 120,900
Furnish all labor, materials and equipment to install 16" DIP main including tank connections, recoating valves, existing storage tanks, and fitting per plans and specifications complete.	\$ 106,435
Furnish all labor, materials and equipment to complete site pad, final grading and 2" of 3/4" gravel per plans and specifications complete.	\$ 18,216
	\$ 438,013
Bond	\$ 6,973
Taxes	\$ 28,756
Bid Total	\$ 473,742
Furnish all labor, materials and equipment necessary to install level electrode assemblies on reservoirs including new tank connections per plans and specifications complete.	\$ 4,350
Install alternative drainage channel section indicated in detail 1, sheet 17 per plans and specifications complete.	\$ 28,800
Furnish all labor, materials and equipment necessary to install shade structure for chlorinator per plans and specifications complete.	\$ 6,430
Furnish all labor, materials and equipment necessary to hot tap tank connections and recoat tank using a certified diver per plans and specifications complete.	\$ 3,950
Furnish all labor, materials and equipment necessary to have certified diver inspect tanks and provide written inspection reports per plans and specifications complete.	\$ 5,880
Furnish all labor, materials and equipment necessary to re-coat the interior of the existing 1.0 MG 2850-Zone reservoir including surface preparation, tank draining, and disinfection per plans and specifications complete.	\$ 118,886
	\$ 168,296
Bond	\$ 1,670
Taxes	\$ 11,049
Addendum Total	\$ 181,015
Total Bid plus Alternates	\$ 654,757

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

<u>Description</u>	<u>Arsenic Treatment Plant</u>
Layne Christensen	
Layne Christensen	\$ 1,400,000
Bond	\$ 14,000
Taxes	\$ 91,910
Layne Christensen Total	\$ 1,505,910
Miscellaneous	
Paul Jacobson	\$ 10,000
Westland Inspections (Total \$29,250)	\$ 19,013
Arsenic Treatment Ph 1_Westland OPCC 102208 (attached)	\$ 397,500
Trico	\$ 30,000
Fiber Optics - design/program	\$ 16,667
Miscellaneous Total	\$ 473,179
 Sub-Total (Bid, Alternates, Layne and Misc)	 \$ 2,633,846
 Contingency	 \$ 52,677
Total Budget	\$ 2,686,523

DRAFT
Preliminary Opinion of Probable Construction Cost - Phase I SWC Arsenic Treatment Plant

Project Name: Phase I SWC Arsenic Treatment	Prepared by: EKB	Date: 10/22/2008
Project Number: 217.149 X 8000	Checked by: MFT	Date:
Location: Sahuarita, AZ	Client: SWC	
Description: Phase I Arsenic Treatment Plant to treat Wells 14 and 18		

Item No.	Description of Item	Units of Measure	Estimated Quantity	Unit Price	TOTAL	Remarks
1	Install 4 - 10" diameter arsenic treatment vessels and cartridge filter including all piping, appurtenances and fittings	LS	1	\$100,000	\$100,000	
2	Install site piping including all header piping, valves, fittings, appurtenances, including installing vendor supplied equipment, and all connections	LS	1	\$125,000	\$125,000	Including aboveground 12-inch flow meter; flow control valve in 24 main, and all pipelines, valving and connections to new treatment plant.
3	Cost of Accu-Tab Chlorination System and Analyzer	LS	1	\$35,000	\$35,000	A total of \$36,311 in Well 23 bid for Hammonds unit and installation. A previous Accu-Tab quote for a 1,500 gpm system was \$18,560 for unit and \$13,020 for the building, as well as an estimate of \$3,500 for the chlorine analyzer.
4	Install Chlorination System and residual analyzer	LS	1	\$8,000	\$8,000	
5	Construct concrete pads	LS	1	\$45,000	\$45,000	
6	Electrical, control, and telemetry work	LS	1	\$38,250	\$38,250	Provided by Rick Cunney Engineering (see attachment). Excluding 15% contingencies from estimate.
7	Materials necessary to load media and gravel	LS	1	\$10,000	\$10,000	Cost of labor and grain rental.
8	Paint arsenic treatment vessel, bag filter vessel, above ground piping, and all appurtenances	LS	1	\$10,000	\$10,000	

Subtotal	\$377,250
20% Contingencies, Payment Bonds, and Taxes	\$74,250
TOTAL	\$445,500

Note: Cost excludes the 24-inch pipeline and all site work as shown in Well No. 23 plans. Also excludes equipment provided by Layne Christiansen



SWC TRANSMISSION MAINS
(CIP# 08-142, 08-146)

ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COSTS
90% SUBMITTAL

Client: Sahuarita Water Company
Stantec Job No.: 185120332
Prepared by: MKG
18-NOV-2008

Description	Unit	Page - SWC CIP # 08-142										Page - SWC CIP # 08-146				TOTAL CIP # 08-142	TOTAL CIP # 08-146	UNIT COST	SUBTOTAL COST CIP # 08-142	SUBTOTAL COST CIP # 08-146	TOTAL COST
		8	9	10	11	12	13	14	15	16	17	18	19	20	21						
REMOVAL OF STRUCTURES & OBSTRUCTIONS (CATTLE GUARD)	LS															1			\$ 1,000.00	\$ 1,000	\$ 1,000
REMOVAL OF STRUCTURES & OBSTRUCTIONS (TREES)	EA															8	48		\$ 900.00	\$ 3,600	\$ 24,000
REMOVAL OF CONCRETE CURB	LF															20	80		\$ 8.00	\$ 120	\$ 840
REMOVAL OF ASPHALTIC CONCRETE PAVEMENT	SY															354	378		\$ 10.00	\$ 480	\$ 7,200
REMOVAL OF CONCRETE SIDEWALKS AND DRIVEWAYS	SF															5144	5144		\$ 1.00	\$ 5,144	\$ 5,600
GRAVING FOR PAVEMENT	SY															354	378		\$ 10.00	\$ 480	\$ 7,200
AGGREGATE BASE	CY															78	85		\$ 100.00	\$ 2,300	\$ 16,700
ASPHALTIC CONCRETE (NO. 2)	TONB															80	84		\$ 125.00	\$ 2,520	\$ 16,775
PIPE, DUCTILE IRON (DI), 12" (CLASS 350)	LF																		\$ 90.00	\$ -	\$ -
PIPE, DUCTILE IRON (DI), 24" (CLASS 350)	LF															348			\$ 120.00	\$ 42,027	\$ 42,927
PIPE, POLYVINYL CHLORIDE (PVC), 12" (CLASS 200)	LF															1050			\$ 80.00	\$ 84,000	\$ 84,000
PIPE, POLYVINYL CHLORIDE (PVC), 18" (DR18)	LF																		\$ 100.00	\$ -	\$ 86,700
PIPE, POLYVINYL CHLORIDE (PVC), 24" (DR18)	LF															687			\$ 105.00	\$ -	\$ -
PIPE, POLYVINYL CHLORIDE (PVC), 36" (DR18)	LF																		\$ -	\$ -	\$ -
PIPE, POLYVINYL CHLORIDE (PVC), 24" (DR18)	LF	897	1250	1150	900		1220	1274								4085	2513		\$ 110.00	\$ 440,550	\$ 278,430
GATE VALVE, 12"	EA				1			1								1	1		\$ 3,000.00	\$ 3,000	\$ 6,000
BUTTERFLY VALVE, 18"	EA							1								3	3		\$ 2,500.00	\$ -	\$ 7,500
BUTTERFLY VALVE, 20"	EA																	\$ -	\$ -	\$ -	\$ -
BUTTERFLY VALVE, 24"	EA	1	1					2								2	2		\$ 7,500.00	\$ 15,000	\$ 30,000
COMBINATION AIR RELEASE VALVE, 1"	EA															1			\$ 2,000.00	\$ 2,000	\$ 2,000
COMBINATION AIR RELEASE VALVE, 4"	EA			1				2								2	2		\$ 4,000.00	\$ 8,000	\$ 16,000
POTABLE WATER, DRAIN VALVE ASSEMBLY	LS							2								2	2		\$ 1,500.00	\$ -	\$ 3,000
BLOW-OFF ASSEMBLY, 8"	LS				1											1			\$ 11,000.00	\$ 11,000	\$ 11,000
MAINTENANCE AND PROTECTION OF TRAFFIC	LS	1														3	3		\$ 7,000.00	\$ 7,000	\$ 21,000
ELECTRICAL CONDUIT (2) (PVC) (SECOND IN TRENCH)	LF				55	1135		1077	900							1877	1877		\$ 6.50	\$ 11,305	\$ 18,782
ELECTRICAL CONDUIT (2) (PVC)	LF							216								215	215		\$ 9.50	\$ -	\$ 2,043
DECOMPOSED GRANITE	SY					1555										1555			\$ 2.25	\$ 3,501	\$ 3,501
SOIL	SF															800	800		\$ 1.00	\$ -	\$ 800
TREE (OWNER SUPPLIED)	EA				8			30	17							48	48		\$ 1,800.00	\$ 8,640	\$ 84,000
LANDSCAPE IRRIGATION SYSTEM	LS					1		1	1							2	2		\$ 2,500.00	\$ 2,500	\$ 5,000
LACKING & BORING, 42" CARRIER PIPE	LF															128			\$ 900.00	\$ 115,200	\$ 115,200
CONCRETE CURB (COTPC STD. NO. 208) (H = 6")	LF					18		28	80							88	88		\$ 24.00	\$ 354	\$ 1,520
CONCRETE CURB (WEDGES) (COTPC STD. NO. 208) (H = 6")	LF					12										12			\$ 30.00	\$ 360	\$ 360
CONCRETE SIDEWALK (COTPC STD. NO. 208)	SF					5144	160	5208	240							5880	5880		\$ 5.00	\$ 29,400	\$ 53,720
CONCRETE FORD WALL (1' X 3')	LF	134			40		40	40	40							88	88		\$ 40.00	\$ 8,800	\$ 3,508
RIPRAP (JUMPED)	CY				22	144	15	16								165	42		\$ 75.00	\$ 12,450	\$ 3,150



SWC TRANSMISSION MAINS

(CIP# 08-142, 08-146)

ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COSTS 90% SUBMITTAL

Client: Schuerha Water Company
Startec Job No.: 185120332
Prepared by: MG
19-NOV-2008

Description	Unit	Page - SWC CIP # 08-142										Page - SWC CIP # 08-146				TOTAL CIP # 08-142	TOTAL CIP # 08-146	UNIT COST	SUBTOTAL COST CIP # 08-142	SUBTOTAL COST CIP # 08-146	TOTAL COST	
		8	9	10	11	12	13	14	15	16	17	18	19	20	21							
CATCH BASIN, SIDEWALK SCUPPER (1-4 CELLS) (SPECIAL PER DTL 1, SHT. 6)	LS					1											1		\$ 5,000.00	\$ 5,000	\$ -	\$ 5,000
CATCH BASIN, SIDEWALK SCUPPER (3-4 CELLS) (SPECIAL PER DTL 1, SHT. 6)	LS					1											1		\$ 9,500.00	\$ 9,500	\$ -	\$ 9,500
DIRECT BURIED CABLE	LF	887	1250	1150	908		1278	1274									4005	2853	\$ 3.50	\$ 14,018	\$ 9,288	\$ 23,303
CONDUIT, 6" (TEP) (SECOND IN TRENCH)	LF	1394	2506	2300	1418												8010		\$ 7.50	\$ 60,075	\$ -	\$ 60,075
PULL BOX, SN-2258 (TEP)	EA	2	2	2	2												8		\$ 7,500.00	\$ 60,000	\$ -	\$ 60,000
PULL BOX, FIBER OPTIC	EA				1	3						3	3				4	8	\$ 2,000.00	\$ 8,000	\$ 12,000	\$ 20,000
SP-LICE PIT	EA																		\$ 1,000.00	\$ -	\$ -	\$ -
FIBER OPTIC TERMINATION	EA	2				2		2									4	2	\$ 2,000.00	\$ 8,000	\$ 4,000	\$ 12,000
MISCELLANEOUS WORK (CONSTRUCTION ADMIN/OBSERVATION)	LS	1											1				1	1	\$ 20,000.00	\$ 20,000	\$ 20,000	\$ 40,000
MOBILIZATION	LS	1															1	1	\$ 20,000.00	\$ 20,000	\$ -	\$ 20,000

Appendix “B”

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Project Financial Assistance Priority List Application

**SECTION 1: APPLICATION INFORMATION**

APPLICATION NUMBER: DW-045-2009 SUBMITTED: 1/27/2009

1.1 Applicant: Sahuarita Water Company, LLC Job Title: President
 1.2 Contact Names: Mark Middle Initial J Last Seamans
 1.3 Address: PO Box 1520 City: Sahuarita State: AZ Zip: 85629
 1.4 Phone: (520) -3991105 Fax: (520) 399-1095 E-Mail: mseamans@ranchosahuarita.com

1.5 County in Which Project is Located: Pima Population Served by the System: 12,628
 1.6 Number of Connections to System: 4677

1.7 Average Monthly Fee (Base + Use): \$ 30.00

1.8 Existing Debt (principal only) Payable by System Users: \$ 0.00

1.9 Median Household Income: \$ 53,194

1.10 ADEQ System Identification # (PWS #): AZ0410312

1.11 Has this project received prior year WIFA funding?

☒ No☐ Yes, request is for a multi-year construction project that received assistance in a previous funding cycle☐ Yes, request is to construct a project that received TA funds in a previous funding cycle☐ Yes, request is for additional financial assistance to offset actual costs of justified overruns1.12 Is your company registered with the E-Verify Program? ☐ Yes ☒ No

(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

2.1 Project Title/Name: SWC Arsenic Treatment Plant

2.2 Type of loan required during this funding cycle? True/this is a test ☒ Design \$ 450,000.00 and/or ☒ Construction \$ 4,250,000.00

2.3 Briefly summarize below the problem (Mail any supporting documentation)

In 2007, water produced for SWC's production wells was tested and determined to be in compliance with the U.S. Environmental Protection Agency's (EPA) arsenic concentration rules, which became effective in January 2006. However, samples taken from SWC's production wells in 2004 would not have satisfied EPA's current arsenic concentration rules, although, they did comply with the regulations in effect at that time. Moreover, given the geologic characteristics of the groundwater aquifer upon which SWC relies, and the fact that samples taken from the aforesaid production

wells in late 2008 exceeded the EPA standard, SWC anticipates that the arsenic concentration of water withdrawn from current and future production wells probably will not comply with EPA's rules in the future. In that regard, under the Arizona Department of Environmental Quality (ADEQ) and Safe Drinking Water Act (SDWA) sampling cycles, 2010 would be the next arsenic concentration sample test year for SWC. However, given the aforesaid background with respect to its production wells and the presence of arsenic within its water supply, SWC has concluded that it would be prudent for the company to implement a proactive arsenic treatment program, in order to insure that SWC is in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this manner, SWC can be in a position to assure the ongoing delivery of drinking water to its customers in compliance with applicable statutes and regulations.

2.4 Briefly summarize below the solution

SWC proposes to construct a 2,000 gallon per minute (gpm) centralized arsenic treatment facility during 2009, which would be connected to SWC's production wells by approximately 2.5 miles of collector transmission mains. The centralized arsenic treatment facility is estimated to cost \$2,700,000 and the collector transmission mains are estimated to cost \$2,000,000, inclusive of contingency allowances.

2.5 Select Type(s) of Needs to be Funded

- | | | |
|--|---|--|
| <input type="checkbox"/> Planning and Design Only | <input type="checkbox"/> Treatment-Bacteriological | <input type="checkbox"/> Treatment-Surface Water |
| <input type="checkbox"/> Treatment-Nitrate | <input checked="" type="checkbox"/> Treatment-Arsenic | <input type="checkbox"/> Treatment-Radionuclides |
| <input type="checkbox"/> Treatment-Organic Chemical(s) | <input type="checkbox"/> Treatment-Primary Standard [Metals(s)] | <input type="checkbox"/> Treatment-DBP |
| <input type="checkbox"/> Treatment-Other | <input type="checkbox"/> Transmission & Distribution | <input type="checkbox"/> Source |
| <input type="checkbox"/> Storage | <input type="checkbox"/> Purchase of System(s) | <input type="checkbox"/> Restructuring |
| <input type="checkbox"/> Land Acquisition | | |
-
- #### 2.6 Select Expected Project Benefit(s)
- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> Compliance - Existing Requirements | <input type="checkbox"/> Compliance - New Requirements | <input type="checkbox"/> Expand Service |
| <input checked="" type="checkbox"/> Reduce Public Health Risks | | |
-
- #### 2.7 Water System Improvement
- | | |
|--|---|
| <input type="checkbox"/> Proposed project addresses deficiencies identified by ADEQ | <input type="checkbox"/> Submitted a complete capacity development plan to ADEQ |
| <input type="checkbox"/> Proposed project includes installing meter to monitor water use | |
-
- #### 2.8 Consolidation and Regionalization
- | | |
|--|---|
| <input type="checkbox"/> Consolidate physical facilities of existing multiple facilities | <input type="checkbox"/> Extending service to existing areas currently served by another facility |
| <input checked="" type="checkbox"/> Consolidate the operations of existing multiple facilities | <input type="checkbox"/> Consolidate the ownership of existing multiple facilities |
-
- #### 2.9 System Compliance (mail any supporting documents)
- | |
|--|
| <input type="checkbox"/> Notice of violations and/or consent orders from regulatory agency |
| <input type="checkbox"/> In compliance |

SECTION 3: AMOUNT OF PROJECT FINANCIAL ASSISTANCE

3.1 Estimated Date WIFA Funding Required: 11/1/2009

3.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs
Amount Funded Locally:	\$ 0.00
Amount Requested from WIFA:	\$ 4,700,000.00
Other Source:	\$ 0.00
Total Finance Cost:	\$ 4,700,000.00

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization (For more information, see WIFA Debt Authorization Guidance Document)

- ☐ Authorized - mail copy of official governing body debt authorization resolution or election results.
- ☒ Scheduled - Anticipated election or authorization date: 9/1/2009

4.2 Project Plans and Specifications (Select only one)

- ☐ Approved - mail approval notification
- ☒ Scheduled for Approval
- ☐ Engineer Selected

Enter anticipated approval date: 4/1/2009

4.3 Applicable Local, State, and Federal Project Permits: (Select only one)

- ☐ Obtained - mail approval notification
- ☒ Scheduled to Obtain Permit(s) - anticipated permit(s) date:
- ☐ Date of Approval Unknown
- ☐ Not Applicable - explain

4.4 Project Bids: (Select only one)

- ☐ Obtained - mail approval notification(s)
- ☒ Scheduled to Obtain Permit(s) - anticipated permit(s) date:
- ☐ Date of Approval Unknown

SECTION 5: CERTIFICATION & APPROVAL

As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

Authorized Representative Name: First Mark

Last Seamans

Title: President

Authorized Signature:



Date:

1-27-09

Water Infrastructure Finance Authority of Arizona | 1110 West Washington, Suite 290, Phoenix, Arizona 85007
Phone: (602) 364-1310 | Fax (602) 364-1327 | Toll Free: (877) 298-0425

Appendix “C”

Sahuarita Water Company
Balance Sheet
December 31, 2008

Acct. No.		Balance Sheet 12/31/07	Near Final Balance Sheet 12/31/08
ASSETS			
<u>Current and Accrued Assets</u>			
131	Cash	\$ 5,810,349	\$ 5,591,809
146	Notes/Receivables from Associated Companies		\$ 7,850
151	Plant Materials and Supplies	\$ 822	\$ 103,909
162	Prepayments	\$ 4,430	\$ 2,658
	Total Current and Accrued Assets	<u>\$ 5,815,601</u>	<u>\$ 5,706,225</u>
<u>Fixed Assets</u>			
301	Organization	\$ 7,541	\$ 7,541
302	Franchises	\$ 203,211	\$ 203,211
303	Land and Land Rights	\$ 13,636	\$ 13,636
304	Structures and Improvements	\$ 120,514	\$ 171,671
307	Wells and Springs	\$ 800,396	\$ 800,396
310	Power Generation Equipment	\$ 155,594	\$ 334,119
311	Pumping Equipment	\$ 42,065	\$ 43,912
320	Water Treatment Equipment	\$ 12,854	\$ 13,830
330	Distribution Reservoirs and Standpipes	\$ 1,811,998	\$ 1,811,998
331	Transmission and Distribution Mains	\$ 10,141,143	\$ 10,159,974
333	Services	\$ 2,081,553	\$ 2,081,553
334	Meters and Meter Installations	\$ 1,202,041	\$ 1,222,335
335	Hydrants	\$ 672,037	\$ 672,037
336	Backflow Prevention Devices	\$ 816	\$ 816
339	Other Plant and Misc. Equipment	\$ 152,130	\$ 250,748
340	Office Furniture and Equipment	\$ 198,350	\$ 283,991
341	Transportation Equipment	\$ 146,129	\$ 146,129
343	Toos, Shop and Garage Equipment	\$ 10,966	\$ 13,856
344	Laboratory Equipment	\$ 132	\$ 132
345	Power Operated Equipment	\$ -	\$ -
346	Communication Equipment	\$ 8,636	\$ 8,497
347	Miscellaneous Equipment	\$ 695	\$ 695
348	Other Tangible Plant	\$ -	\$ 872,193
105	Construction Work in Progress	\$ 1,305,549	\$ 1,602,002
108	Accumulated Depreciation - Utility Plant	\$ (1,328,263)	\$ (1,908,783)
121	Non-Utility Property	\$ -	\$ 82,257
122	Accumulated Depreciation - Non Utility	\$ -	\$ (2,344)
	Total Fixed Assets	<u>\$ 17,759,723</u>	<u>\$ 18,886,401</u>
	TOTAL ASSETS	<u>\$ 23,575,324</u>	<u>\$ 24,592,627</u>
LIABILITIES			
<u>Current Liabilities</u>			
231	Accounts Payable	\$ 36,942	\$ 23,613
235	Customer Deposits	\$ 48,925	\$ 96,204
236	Accrued Taxes	\$ 16,749	\$ 14,582
237	Accrued Interest	\$ -	\$ 2,257
241	Misc Current and Accrued Liabilities	\$ 73,408	\$ 137,086
	Total Current Liabilities	<u>\$ 176,024</u>	<u>\$ 273,743</u>
DEFERRED CREDITS			
252	Advances in Aid of Construction	\$ 9,502,775	\$ 9,334,999
271	Contributions in Aid of Construction	\$ 2,402,899	\$ 2,436,452
272	Less: Amortization of Contributions	\$ (165,307)	\$ (239,309)
	Total Deferred Credits	<u>\$ 11,740,367</u>	<u>\$ 11,532,143</u>
	TOTAL LIABILITIES	<u>\$ 11,916,391</u>	<u>\$ 11,805,886</u>
CAPITAL			
218	Proprietary Capital	\$ 11,658,933	\$ 12,786,741
	Total Capital	<u>\$ 11,658,933</u>	<u>\$ 12,786,741</u>
	TOTAL LIABILITIES AND CAPITAL	<u>\$ 23,575,324</u>	<u>\$ 24,592,627</u>

Appendix “D”

Sahuarita Water Co., LLC
Comparative Statement of Income and Expense

Acct. No.		1/1/07-12/31/07	Near Final 1/1/08 - 12/31/08
	<u>Utility Revenues</u>		
461	Metered Water Revenue	\$ 1,849,699	\$ 2,030,502
460	Other Water Revenue	\$ 136,864	\$ 157,242
474	Total Utility Revenues	<u>\$ 1,986,563</u>	<u>\$ 2,187,744</u>
	<u>Utility Expenses</u>		
601	Salaries and Wages		
610	Purchased Water	\$ 74,260	\$ 118,875
615	Purchased Power	\$ 131,471	\$ 141,901
618	Chemicals	\$ 5,856	\$ 11,535
620	Repairs and Maintenance	\$ 54,608	\$ 72,916
621	Office Supplies and Expense	\$ -	\$ 28,129
630	Outside Services	\$ 745,564	\$ 729,727
635	Water Testing	\$ 5,750	\$ 8,750
641	Rents	\$ 19,209	\$ 13,195
650	Transportation Expense	\$ 17,682	\$ 22,358
657	Insurance - General Liability	\$ 64,772	\$ 21,111
659	Insurance - Health and Life	\$ -	\$ -
666	Regulatory Commission Expense - Rate Case	\$ -	\$ -
675	Miscellaneous Expense	\$ 12,044	\$ 14,834
403	Depreciation Expense	\$ 341,881	\$ 506,519
408	Taxes Other Than Income	\$ -	
408.11	Property Taxes	\$ 56,022	\$ 80,828
409	Income Tax		
	Total Utility Expenses	<u>\$ 1,529,119</u>	<u>\$ 1,770,677</u>
	Total Utility Operating Income	<u>\$ 457,444</u>	<u>\$ 417,066</u>
	<u>Other Income</u>		
414	Gain (loss) from Disposition of Utility Property	\$ (2,195)	\$ -
419	Interest and Dividend Income	\$ 77,753	\$ 118,198
421	Non-Utility Income	\$ -	\$ 9,544
426	Miscellaneous Non-Utility Expenses	\$ -	\$ (4,666)
427	Interest Expense	\$ (43,990)	\$ (3,904)
	Total Other Income (Expense)	<u>\$ 31,568</u>	<u>\$ 119,172</u>
	Net Profit (Loss)	<u>\$ 489,012</u>	<u>\$ 536,239</u>